POVERTY AMIDST PLENTY

BY

THE EARL OF TANKERVILLE

INTRODUCTION
L. Denis Byrne

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"Poverty Amidst Plenty" by the Earl of Tankerville.

Erratum page 6. Last two lines should be reversed so as to read:-

point out some of the reasons why, in this rich world,
nearly everybody is comparatively so poor; and, if

INTRODUCTION

The Earl of Tankerville, who was personally known to me, was one of several members of the British aristocracy who, in their concern for the plight of the nation during the depression years of the thirties, had found that its cause was directly attributable to the defective monetary system. This knowledge they spared no pains in sharing with audiences throughout their native England and abroad.

Lord Tankerville, a man of utter sincerity and integrity, based the lecture he gave in Sweden, which is republished in this booklet, on the widely circulated report on the economic crisis of the Southampton Chamber of Commerce published in June, 1933. At the time the world-wide economic depression was at its acutist. Yet, today, 43 years later, its message is just as relevant.

The defect in the money system, common to the entire Western world, which was the cause of the depression of "the dirty thirties" is likewise the cause of the equally universal rampant inflation of today. It is just common sense that if, as Lord Tankerville points out, prices must always exceed incomes due to the built-in defect in the system, then prices must keep increasing faster than incomes; further, that any attempt to halt the inflation spiral will result in economic depression. Either way the people lose out and the financial institutions gain.

The reader will ask why, if this is known, nothing is done to rectify the defective money system? He will find his answer by further reading. "None Dare Call It Conspiracy" would be a suitable start, but there is a wide choice of which those publications listed on the last page are some of the more important.

L. Denis Byrne,
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Poverty Amidst Plenty

A Lecture

Given in Stockholm in May 1934

by

THE EARL OF TANKERVILLE

BEFORE putting to you the matters which I hope will arouse your interest and receive your serious consideration, let me first make it clear that I speak to you, *not* as an Economic Expert, nor as a supporter of any political party whatsoever, but only as an individual who sees in the world an enormous amount of suffering which is entirely unnecessary and can quite simply be eliminated when once its *cause* is clearly and simply understood. However, as authority for my views, I shall quote a little later from the very startling Report issued last year by the Southampton Chamber of Commerce.

The expression "Poverty amidst Plenty", which forms the title of this lecture, has, during the last year or two, appeared so frequently in the columns of nearly every European and American newspaper, as to have become by now merely a truism.

Yet, let us examine this phrase more closely, and see where is the "Plenty" and where the "Poverty", and, if possible, what is the cause of this most disastrous paradox.

To begin with, there are plenty of men who would like to work, who would like to help manufacture the goods which we all want; but these men, this vast and increasing number of unemployed, are not allowed to work.

Then next, there are plenty of raw materials of all sorts. There is plenty of food; so much so, in fact, that farmers in America have been destroying their wheat while people elsewhere are starving. There are plenty of clothes and of materials to make them; yet, while manufacturers in England are closing their factories and are being ruined by want of orders for their goods, even little children are running about in rags and often without so much as shoes and stockings to keep their feet warm.

Then there are the factories and the machines,

plenty of them, which, even without much extension or improvement, could turn out probably four or five times the quantity of goods they are making at present.

And finally, there are the ships ready to take the goods to any part of the world where they are wanted. Yet what do we find? Thousands and thousands of tons of them filling up our harbours and anchorages in dejected rows of rusting iron, while their crews sit listlessly along the docks and not allowed to man them.

And so, in all this vast abundance of plenty, in all this obvious capacity to produce more than enough for the comfort of everybody, where is it, I ask, that this tragedy of universal poverty comes in?

There is, I suggest, but one thing, and one thing *only*, in which we find a universal lack, and that one thing is called "Money".

* * *

There are many people who, when the subject of money, of finance, is brought up, will say: "That is much too difficult for me to understand; that is a matter which is far better left to the Economic Experts to look after." Or they will say: "I read Economics at the University and, besides being terribly dull, my brain reeled with the complications of it." And so they start with a prejudiced, instead of with an open, mind, and usually most effectively "close the door" to much that is really very interesting and quite simple to understand.

I agree, of course, that the multitudinous applications of the *present* monetary mechanism have become extremely complicated and quite impossible for the ordinary citizen to follow—so much so, that even the so-called "experts" often contradict each

other, and thus make confusion the worse confounded. Especially is this so when they are trying, as at the present day, to reconcile their so-called Economic Laws with physical facts which challenge them increasingly at every turn. In the library of my club in London there is a paper, written about one hundred years ago by an eminent expert of that day, proving conclusively that it would be quite impossible for a steamboat to cross the Atlantic!!!

But, just as it is simple for any ordinary person to understand the *principle* upon which an aeroplane flies—though it is a very complicated matter to build one scientifically—so is it quite simple for any average individual to understand the principle upon which money *should* come into being and *should* function for the service of a nation. The nation, however, having once decided and made itself clear upon this principle, is undoubtedly well advised to order its specialists to work out a means of carrying out that principle scientifically and efficiently.

Please note, in this illustration, the function which it seems to me is the only healthy one for Experts to fulfil—namely, that the Expert is the person whom you should consult for the purpose of *carrying out* any fundamental principle efficiently, but *not* for the purpose of *establishing* one.

You should not ask the expert, or anyone else, "Is this a good thing to do?" That is for you yourself to decide. You should only ask the expert: "What is the best way of doing this thing which we have decided is good and must be done?" If we depend upon someone else to decide for us, we create our own exploiters and we shall continue to be exploited.

Therefore, I will put before you certain simple principles—*not* complicated ones—I will also try to nearly everybody is comparatively so poor; and, if point out some of the reasons why, in this rich world,

these things become clear and obvious, then we shall be in a position to demand of our governments and of our experts what it is that they must do for us.

* * *

To begin with, then: the purpose of an Economic System is to deliver goods and services to members of a community when they are required, where they are required, and as they are required. If an Economic System is to be efficient, it should deliver to members of a community *all* of such goods and services as the community may be able, or may *desire,* to produce. In other words, *the only sensible purpose of production is consumption.*

Now, the machinery we have set up for the purpose of transferring goods from the productive side of industry to individual members of the community is "Money". Fundamentally, Money is a system of "tickets" invented by man to overcome the difficulties and the cumbersomeness of mere barter, so that, by the use of these "tickets", goods and services may be exchanged with greater freedom.

If, therefore, the object of production is consumption, then the money system should be so adjusted that at all times it gives the community access to *all* the goods the community has produced, so that the productive side of industry has at no time an unsaleable surplus. Therefore the money-system, if it is efficient, should make all goods produced available for consumption by the individuals comprising the community. If the money-system fails to do this, then clearly there must be a fault in it somewhere.

Now, the fact that there *is* "poverty amidst plenty" —that is to say, that a nation has access only to a part of the goods it produces—proves, I think, conclusively, that such a fault *does,* in fact, exist. It

proves, also, that the fault lies in the money-system; since, practically speaking, it is only by means of money that the people of a nation can buy what they have produced. And my object in speaking to you is to try, if I can, to make clear to you just what this fault in the money-system is.

* * *

When you go into a shop and see a price label on something you want to buy, you know that that price is made up of several factors, and that that price must be *at least* as much as the cost of manufacturing the article and of bringing it to the shop in which you find it.

Now, during the process of manufacturing an article, the only part of its cost, which is distributed amongst the community, is that part which consists of wages, salaries, and dividends—or profits if there *are* any! But there is another part of the cost which is *not* distributed to the community, and that part consists of bank loans and interest thereon. For the manufacturer will most probably have borrowed money from his bank to finance his factory, and consequently, in order to repay that loan plus the interest on it, he must charge a proportion of it into the price of the article he produces. You will see, therefore, that the community cannot buy all that it has produced, for the simple reason that the necessary money has not been put into its hands. And so there arises an unsaleable surplus, which the nation has produced, but which, for the reason I have just given you, its individual members cannot buy.

This, I submit, is the main fundamental flaw in our monetary system.

In support of this opinion, let me quote to you no less an authority than the Association of the

British Chambers of Commerce. This is the Resolution they passed:—

> "This Association views with grave concern a defect of fundamental importance in the monetary system, whereby the purchasing power of the community is rendered increasingly insufficient to buy the whole product of industry, the effect being reflected in the present disastrous world situation, and accordingly requests the Executive Council to take the necessary steps to set up a Special Committee, composed of representatives of the Association and of other important commercial and industrial organizations, to consider how this defect can be remedied, and to report."

This Resolution was passed on the 19th April, 1934, by an overwhelming majority of, I am told, over 280 votes out of 300.

Since any industrial country cannot help thus accumulating an unsaleable surplus, *because* of this flaw in the money-system, it therefore becomes necessary for each industrial country to export this surplus if its industries are to avoid bankruptcy. Furthermore, it must be careful to export, not only *as* much, but *more* than its imports.

The Southampton Chamber of Commerce, in its 1933 Report, puts it this way:—

> "If in point of fact industrial countries accumulate unsaleable surpluses of goods, it would appear imperative that they should always export more than they import—that is, invest the surplus abroad. Otherwise the surplus will collect in the country, production will slacken off, purchasing power will fall as a result, and all the factors of a trade depression will become operative."

This, as you can see, is exactly what is happening

now; and the way this unsaleable surplus is usually got rid of, is that the exporting country makes a loan to the foreign country, and the foreign country then uses this credit to buy the exporting country's surplus. In this way, no money leaves the exporting country, but only goods.

From what I read in the papers, this, for instance, is precisely what Sweden has recently been trying to do in the loan she is proposing to make to Russia. Sweden, like England and all the other industrial countries, is trying, in effect, to *give* away her *real* wealth in exchange for paper bonds, in exchange for promises to pay which must become increasingly difficult of fulfilment.

In support of the truth of this extraordinary state of affairs, it has, I believe, been officially stated that, out of sixty-four nations owing debts to England, no less than fifty-six are already in default.

The result of this feverish struggle between the nations to find foreign markets, and to give away more things than they receive in return, is to create and intensify national frictions which sooner or later must result in war, which, in these days of modern chemical inventions would be unthinkably ghastly, and might easily involve the complete destruction of our present civilization.

To add to this tendency to war is the terrible fact that, in spite of the suffering, misery, and wastage of war, in spite of it being against the wishes of all civilized human beings, it is nevertheless a very favourable thing for the financiers.

During a war, goods are made—guns, ammunition, explosives, etc.—which are quickly and entirely destroyed, while the wages for making these things are distributed amongst the workers who remain at home in the factories, and are spent in buying the products of other industries. All the able-bodied men are sent

off to fight; and so, not only is the unemployment problem solved, but there is a strong demand for labour; the productive capacity of the nation is expanded to its maximum, and all the symptoms of a trade boom soon become apparent.

However, after the war is over, the loans begin to be called in and purchasing power is thus curtailed; unsaleable surpluses of goods begin rapidly to accumulate; and a trade slump ensues which, owing to its long-drawn-out dreariness, owing to the impossibility of re-employing such of the men who live to come back for work after fighting for their country, is in some ways perhaps worse than the war itself.

Referring to the Problem of Unemployment: This problem has by now assumed such alarming proportions that its solution is exercising the minds of statesmen in all industrial countries.

But I submit to you that this, again, is one of the many effects of the fault in the money-system. In reality, this problem is *not* unemployment *as such*, but rather that being out of work deprives a man of his purchasing power. So, it is *not* unemployment, but the resulting poverty due to lack of money, which should be considered.

The position of an unemployed man is a truly astounding paradox. This paradox has been most aptly written as follows in the Southampton Chamber of Commerce Report:—

> "Either an unemployed person is without work because we are already producing sufficient without his services being required—in which case he is poor *because* there is an abundance of goods and services available.
>
> Or, he is in want because the available wealth is not sufficient to provide for the satisfaction of his needs—in which case it is difficult to explain

away *why* his services are not being utilized to produce more."

So, whichever way you look at it, the situation is equally absurd and unnecessary.

* * *

Let us turn again to this thing we call "Money". Owing to the lack of attention which has been given to these simple facts about money, even among otherwise thoughtful people, it has been, and, as you see, still is, possible for a few international financiers to exploit and control us all.

A few years ago, I tried a few simple experiments among the agricultural workers in that part of the north of England where I live, to find out how *they* regarded money. I found that they all thought of it as something *real*, as a commodity, as bits of paper which represented metal which they could bite; and it was useless to explain that money was of no use whatever to them until they took it to a shop and exchanged it for something they wanted.

But this idea of money as a commodity is not confined only to farm workers. It is a very widespread one, though in a less crude way than that. It is this idea which is in the mind of many supporters of the Gold Standard and of Bimetallism.

But the fact is that money is no more a commodity than are metres and centimetres; and, if it is to function efficiently, it should not be treated as a commodity, but only as *a means of measurement.*

Imagine how absurd it would be for the City of Stockholm to say: "We cannot make any more roads because there are not enough kilometres." Yet, this is exactly how we *do* in regard to money, and production is restricted to the quantity of money available. The money itself is restricted to a particular

quantity of gold which lies buried in the vaults of the Central Bank; and, because money is traded in as a commodity, it follows that, if money is kept in short supply, its value as a commodity will be increased. Therefore, the interests of those whose business it is to trade in money as a commodity—namely, the international financiers—must automatically be in opposition to the interests of the community as a whole.

Money is the "link" between production and consumption, and is the means we have devised for overcoming the difficulties and cumbersomeness of barter, so that goods and services may be exchanged with greater freedom. Now since, as we have said, "the only sensible purpose of production is consumption", it follows that, if money is to be the "link" between production and consumption, then money must be so regulated that there is at all times a sufficient supply of it in the pockets of individual members of the community to enable the community to consume, if it so wishes, *all* of the goods it produces. Therefore, the only scientific basis for a monetary system is that it should accurately reflect the ability of a nation to furnish itself with goods and services.

To those of you who still feel that money should be based on gold or silver, I would point out that, in actual fact, the *real* value of money does not, never has, nor ever will, depend on these metals. The real value of a banknote lies in your belief, which amounts to a certainty, that, in accepting it in exchange for your own goods or services, you in turn will be able to exchange it for the things or the services you yourself require. To quote again from the Southampton Chamber of Commerce Report:—

"It is this belief amounting to a certainty—this credit—which gives money its value. Money is there-

fore a vehicle of this credit, and need have no value apart from the credit attaching to its possession, which makes it acceptable in return for goods or services."

* * *

Let me now put before you a few concrete suggestions as to what might be done to overcome the defects in the monetary system; but I will begin first by summarizing what I have been trying to show are the real root causes of the present disastrous depression in both home and foreign trade; for it is only by both getting *and* keeping clear in oneself as to what really is at the root of the trouble that one can hope to find any intelligent basis of cure.

(1.) First, then, I hope it is now absolutely clear to you that the cause of all this "Poverty amidst Plenty" lies in *one thing* only, and that is *Money.*

(2.) Next, that, **In the process of production, costs are generated at a faster rate than incomes are distributed;** and therefore, that there is an everwidening gap between the purchasing power of a nation and the prices of the things it has produced. This is the principal and most fundamental defect.

(3.) Thirdly, that, since the greater part of our money comes first into being as a loan from the banks (whom it costs but little more than pen, ink, and paper to create), since it is therefore accounted as a debt which is repayable by the community *to* the banks, it is impossible for these loans to be repaid in terms of money, except by the creation of further and larger debts.

(4.) That, because this borrowed money can only filter through to become purchasing power in the hands of the community, via the *production* side of industry, and owing to modern methods and scientific

improvements in production, more and more members of the community are deprived of purchasing power, through unemployment.

(5.) That, if the citizens of a country cannot themselves buy the goods they produce, then neither can they, through exporting those goods, buy the imports that are received in exchange. Therefore the money problem is essentially one of *in*ternal purchasing power, and cannot be solved by seeking *ex*ternal or international agreement.

(6.) That the present faulty financial system can only be maintained by a country giving away more goods than it receives. This leads to two results—one is War, and the other is in the direction of depleting a county of its *real* wealth.

(7.) That money is not essentially a commodity, and need not be treated as such. Money should only be thought of as a system of "tickets".

(8.) And lastly, that the real value of money depends upon its efficiency in facilitating the *consumption* and exchange of the goods and services a nation produces. Its true basis, therefore, is inherent in the ability of a community to produce and deliver the goods and services it requires. Consequently, that the arbitrary restriction of the *in*ternal money-supply of a nation by any such device as the International Gold Standard is both unnecessary and harmful.

* * *

If, then, I have succeeded in making clear to you these fundamental and inherent defects in the monetary system and if you will bear them clearly in mind, it will not be difficult for you to see upon what lines a cure of the trouble *could* be effected.

It should, of course, also be borne in mind that, in arriving at an efficient money system, the true

function of money is to *reflect* the actual facts of production and consumption, and *not* to control them as at present is the case.

In terms of *real* wealth, the actual facts of a nation's prosperity are these:—

A nation is richer for everything it produces or *im*ports; it is poorer for everything which wears out, which is consumed, or which is *ex*ported.

It is these facts of real wealth which an efficient money system should reflect; and this, strangely enough, is almost the exact opposite of what it does at the present day.

Now, since I have shown, and I hope you will have agreed, that the only sensible purpose of production is consumption, it follows that the monetary system must be so regulated that total incomes flow into the pockets of consumers (that is, *all* members of the community) at a sufficient rate to enable *all* the costs of production to be liquidated. In other words, prices of available goods and services and consumer-purchasing power must be equated.

Since we have already seen that, in the process of production, the community is charged with certain costs for the liquidation of which the necessary money is not distributed, it therefore follows that there are three possible ways of making good this deficiency: (1). Either prices must be reduced to an extent sufficient to meet the purchasing power that *is* available; and reduced in such a way as to involve no loss to any manufacturers or distributors; or else (2). purchasing power must be increased sufficiently to meet prices by issuing *new* money-tokens which, at their original source, do *not* represent interest-bearing loans; or (3). both of these first two methods could be employed at one and the same time.

I personally am rather in favour of this latter method —that is, of combining both of the first two—for

the reason that the issue of the necessary "free" money could then be made dependant upon the selling of goods at a scientifically reduced price, the "new" money being used to make good the loss that would otherwise fall on the seller. This also would have the effect of preventing unwanted production. At the same time, also, a National Dividend could from time to time be issued by the State (also, of course, as "new" money and *not* as a debt) to *all* members of the community; this would solve the present financial difficulty of those whose services are displaced by modern machinery and labour-saving inventions. **But, whatever method is adopted, I would like to emphasize the main point, which is that it will be necessary to bring out "new" money *direct to the consumer,*** and *not in*directly through the productive **side of industry as at present is the case.**

I think I should add here that these suggestions for the free issue of "new" money, which is *not* tied to gold or silver, and which is *not* a debt, are *not* inflationary. That is, they are *not* inflationary in the sense of inflation being a reduction in the purchasing power of a unit of money, but rather the opposite. To increase the quantity of money is only dangerous when it involves a *de*crease in the purchasing power of a unit of money; whereas the suggestions I am putting before you involve an *in*crease in the purchasing power of an unit of money. Neither am I suggesting anything which would cause any loss of money to any class of the community. On the *contrary,* it would be of material benefit to *every*body, and would *not* take any money from *any*body.

To put these suggestions into operation, however, would necessitate several changes in the administration of national finance.

First of all, it would be necessary to abandon any

arbitrary restriction of the *in*ternal money-supply by any such futility as the International Gold Standard. And, together with this, it would also be necessary to pass such legislation as would prevent money being traded in as a commodity, or being issued *at its source* as an interest-bearing loan.

Then, since the power which the control of a nation's money carries with it is nothing less than the control of the nation's entire economic life, the only wise policy to adopt is that the determination of financial policy should be absolutely under the control of the Crown and Parliament for the benefit of the nation as a whole. Incidentally, this would mean that no commercial bank would be allowed to issue more credit to its customers than the total amount of its deposits at the Central Bank.

* * *

I have purposely refrained from going into details of how these fundamental changes in financial policy should be carried out; because, so long as you yourselves are clear as to what should be the *basis* of a nation's money-supply and control, so long as you are clear as to what is the purpose of an economic system, and therefore of its monetary mechanism, then you will be safe and wise in appointing suitable experts to work out on your behalf what they consider will be the best methods of carrying it into operation upon that basis. It is *not,* I think, of so great importance *what* is first tried, *so long as* it rests firmly on that basis (and *that* is all-important). Experience will soon show what is best to be done, and what further adjustments should be made. However, for those interested in the detailed applications of these principles, there is a great deal of literature already written on this subject, and mathematical formulae for the rate of issue and recall of money have been worked out.

But it is of the greatest importance that we begin

to do something *now*; because every day action is postponed makes the final crisis the more serious, for, every day the gap between purchasing power and prices is mathematically increasing, and the struggle for foreign markets is becoming more intense.

The matter rests, therefore, in our own hands. If we wait till to-morrow for somebody else to do something, if we wait for circumstances to compel us, then there lies ahead of us (and not very far ahead either) the probability of such overwhelming disaster as has never previously befallen mankind.

Shall we accept the responsibility which now rests upon our shoulders for the future of our race, or shall we submit tamely to a system which is fundamentally and mathematically faulty, and to those who profit by it at yours and my country's expense?

And you, lady members of this club under whose auspices I have had the honour of addressing you, wives of the present and mothers of the coming generation, you have an especial advantage over many of the men, for your minds are not so apt to be clouded by past prejudice, and by the confused advice of the "experts", as are those of some of the business men long-trained in the old ideas. You have a special facility for seeing the problem clearly and with simplicity. Will you wait for the men to act, or will you act *now* with them? Will you demand that the food, the clothes, the comforts, and the education, which your children need, shall be given to them, or will you wait until your men are killed in war or ruined in their businesses at home?

I have put before you, ladies and gentlemen, some of the main points of evidence in the trial of the present monetary system at the bar of the commonsense and need of the people of the world. The issue lies in your hands, and, for the sake of humanity, I trust that your verdict will not be long forthcoming in terms of positive and decisive action.

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Books

None Dare Call it Conspiracy — by Gary Allen	50p
Censored History — by Eric Butler	30p
The Creation and Control of Money — I.O.E.D. publication	30p
Natural Cost and the Ownership of Money — by J. D. Malan	20p
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